

Guidelines for the Arctic Council Project Support Instrument

Approved by the Senior Arctic Officials (“SAOs”) on 7 April, 2005.

1. Background

1.1. The Arctic Council, as a part of its activities, has identified and agreed upon a number of priority projects, the implementation of which contribute to meeting the objectives of the Council. Additional priority projects are foreseen to be identified and agreed upon in the future.

1.2 Mobilization of financial resources is an essential prerequisite for the execution of projects. As the result of a number of discussions in the Arctic Council on the issue of financing, ACAP with the assistance of NEFCO has presented an initiative to establish a financing instrument for Arctic Council projects focused on actions against pollution.

1.3 The Fourth Ministerial Meeting of the Arctic Council in Reykjavik 2004 inter alia:

- Emphasized the need for reinforcing efforts to finance circumpolar cooperation,
- Supported the Project Support Instrument (PSI) concept as a mechanism to enhance the process of identifying, mobilizing and transferring financing for specific priority Arctic Council projects,
- Requested the SAOs to establish a pilot phase of the Arctic Council Project Support Instrument to focus on actions against pollution in the Arctic and to develop a set of guidelines in close cooperation with NEFCO and ACAP for the management of a pilot phase of the Instrument,
- Decided that the Instrument be a voluntary, non-exclusive mechanism for financing specific priority projects that have already been approved by the Arctic Council,
- Decided that the Instrument may make use of a broad range of funding arrangements to include grants and revolving instruments,
- Invited interested Arctic Council Member States, observers and others to pledge contributions to the Arctic Council Project Support Instrument,

1.4. The SAOs have therefore established the Arctic Council Project Support Instrument (hereinafter referred to as the “PSI”) for a pilot phase and approved these Guidelines for the management of the PSI.

2. Purpose and orientation of the PSI

- 2.1 The PSI is a financing instrument established for the purpose of mobilizing and channelling financing for specific Arctic Council projects.
- 2.2 Financing from the PSI can only be provided for projects, which
- (i) have been approved by the Arctic Council; and
 - (ii) are action/investment-oriented (i.e. actions, limited in time and scope, with a determined cost estimate and a defined, measurable result). The PSI is not to provide financing for general Arctic Council activities, such as the operating or administrative costs of Arctic Council programs or the costs for participation in Arctic Council activities;
- 2.3 The PSI shall give priority to projects related to pollution prevention, abatement and elimination.
- 2.4 The PSI may finance:
- (i) project preparation activities, such as project identification and concept development, pre-feasibility studies, feasibility studies, environmental impact assessments, business plans, financing plans, preliminary design, preparation of tender documents tendering and evaluation; and
 - (ii) specific measures in the implementation phase of pilot and demonstration projects, including supplies of equipment and services.

3. Administration of the PSI

- 3.1 The PSI is set up as a pool of voluntary, individual contributions, administered by the Funds Manager, which agrees to hold the funds in trust and to be responsible for their management in accordance with these guidelines. The Funds Manager is in charge of daily operations of the PSI.
- 3.2 The PSI is open for contributions from Arctic Council members, observers and other interested parties. The Funds Manager will invite Contributors to pledge contributions, which will be formalized through individual funds administration contracts between the Funds Manager and the respective Contributors.
- 3.3 The funds administration contracts shall provide for the PSI to be governed by a PSI Committee composed of representatives of the Contributors. The PSI Committee shall provide guidance to the Funds Manager and have the authority to approve tasks or actions for PSI financing within approved projects.

4. Modalities of operation

- 4.1. The PSI will, as appropriate, provide financing in the form of:
- (i) grants;
 - (ii) contingent grants (which have to be repaid if the project achieves its goals); and
 - (iii) other revolving instruments such as loans on concessional (soft) terms.
- 4.2. Due consideration shall be given to local participation in the projects (e.g. through the provisioning of recipient counterpart funds), transparent procurement and implementation procedures as well as effective supervision and monitoring of project activities financed by the PSI.
- 4.3. Financing may be requested by Project Steering Groups, project owners or other relevant stakeholders.

5. Reporting

- 5.1. The Funds Manager shall, in addition to the reporting required according to the funds administration contracts, semi-annually present a report to the SAOs about the activities of the PSI.

6. Other provisions

- 6.1. These Guidelines remain in force until they are amended by the SAOs or until the PSI is dissolved according to the conditions of the funds administration contracts.

